

# Loyalty Dividend Program of Royal DSM

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Investor Relations Platform, Amsterdam 21 March 2007

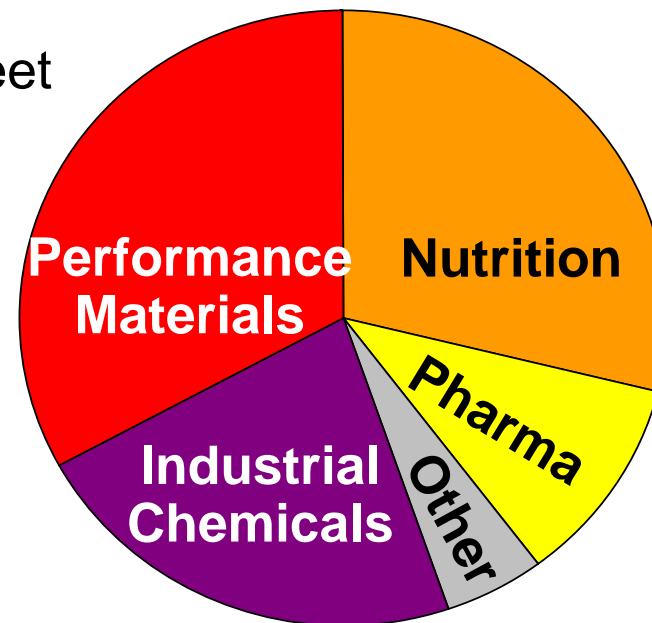
# DSM today



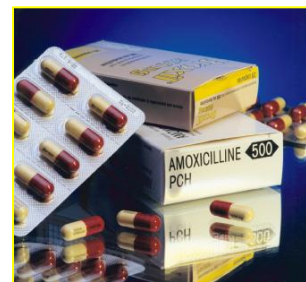
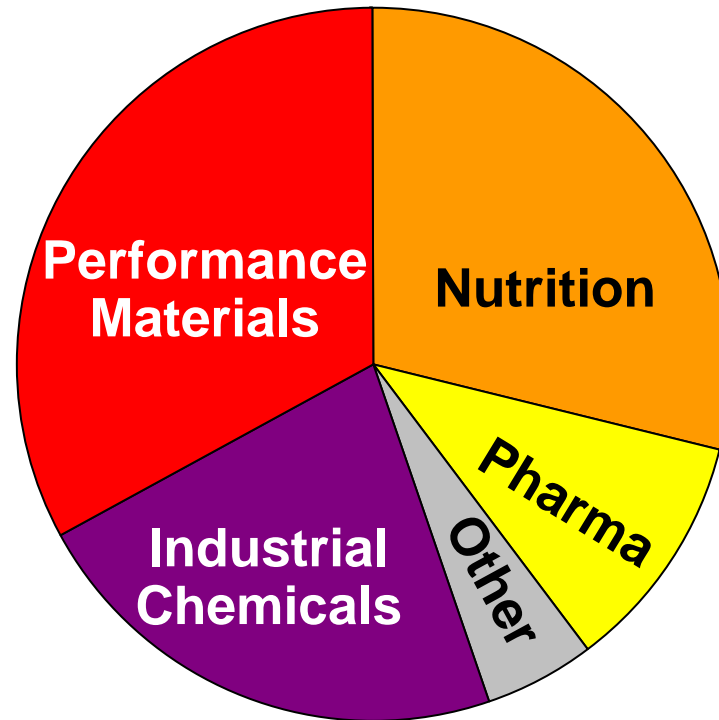
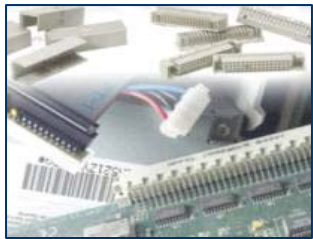
- **Globally active “multi-specialty” chemical company**
  - More than 200 locations, ca. 25,000 employees
- *Leadership positions*, in ~75% of the portfolio
- *Innovation driven*, R&D spend ~ € 340 million
- *Financially sound*, solid balance sheet

## Key data 2006

Sales : € 8.4 billion  
EBITDA: € 1.3 billion  
Net profit: € 551 million



# DSM at a Glance



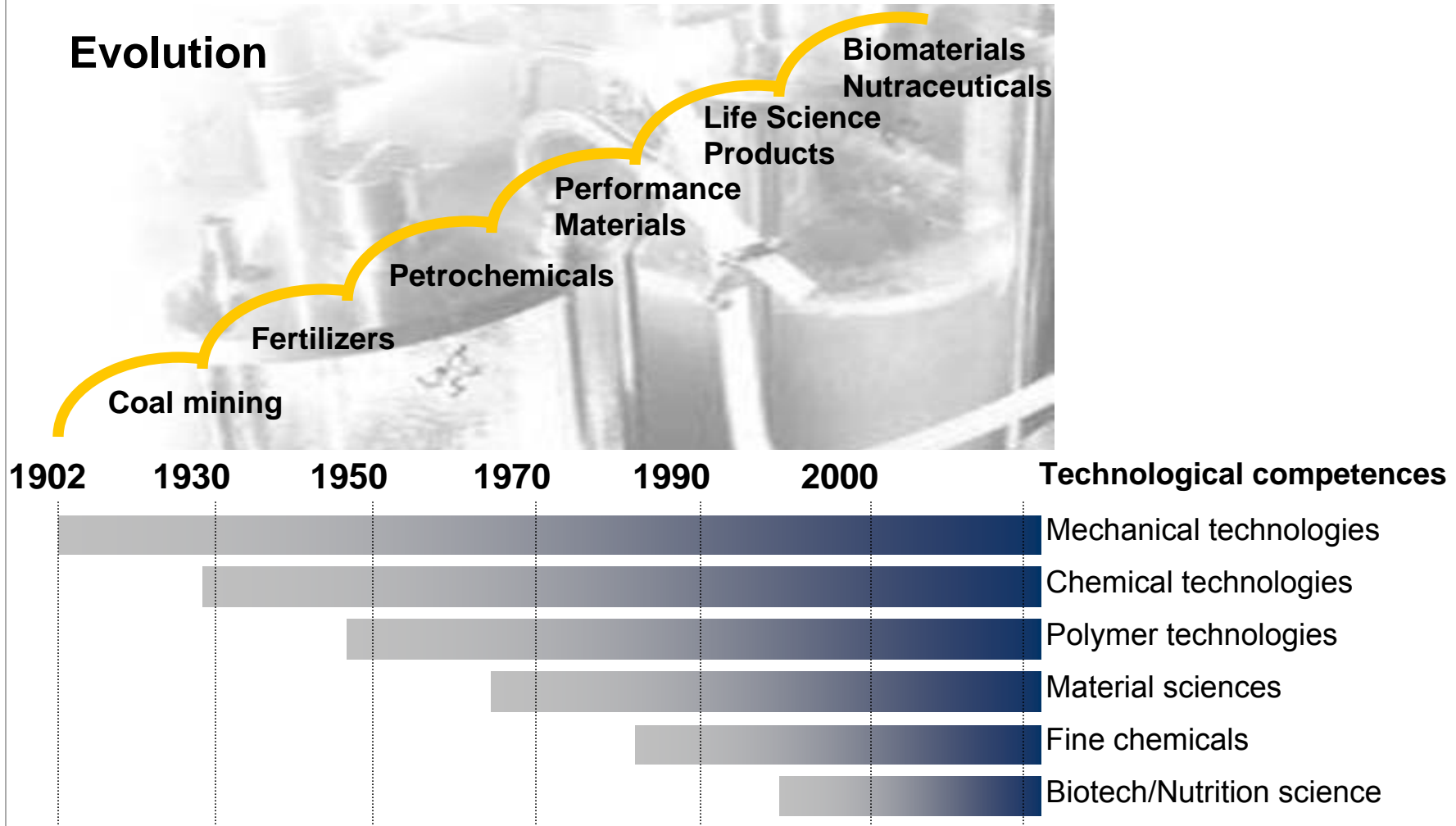
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# > 100 year successful transformation



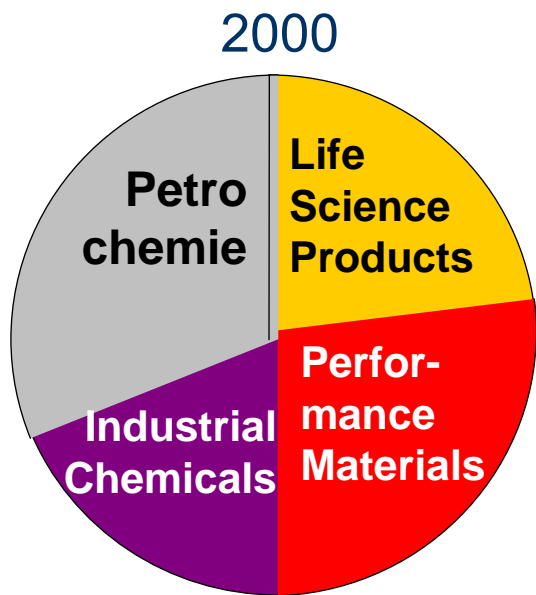
## Evolution



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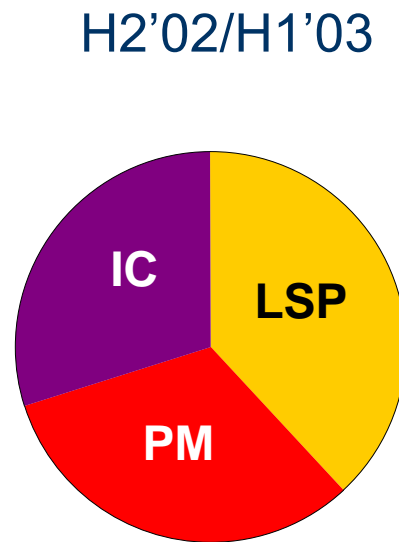
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# Vision 2005: Portfolio Transformation



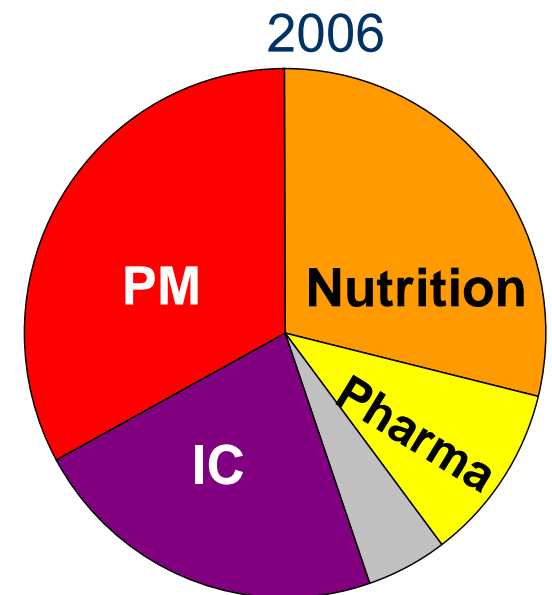
Sales € 8 bn

Div. Petrochemicals  
and energy profit rights



Sales € 5.6 bn

Acq. Roche Vitamins



Sales € 8.4 bn

Acq. NeoResins  
and div. Bakery

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# Vision 2010: *Building on Strengths*



**Building on Strengths**

**Market-driven growth  
and innovation**

**Increased Presence  
Emerging Economies**

**Operational  
Excellence**



**Value Creation**

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# Triple P Policy: People, Planet, Profit



**DSM** for the 3<sup>rd</sup> consecutive year **Global Sector Leader Chemicals**



World Business Council for Sustainable Development

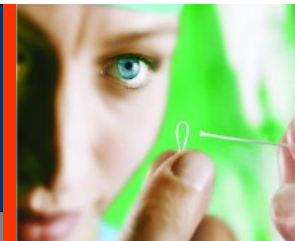


**Vision 2010: Retain top ranking in SHE & Sustainability**

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# Morris Tabaksblat



**“Aandeelhoudersactivisme en de gevolgen voor het Nederlandse bestuursmodel”,**

***“Ondernemingen zouden zich moeten afvragen of zij hun strategie en doelstellingen wel voldoende transparant over het voetlicht brengen. En of zij hun dividendbeleid zouden moeten aanpassen om die aandeelhouders te “lokken” die bij haar passen, à la DSM bijvoorbeeld. Zijn ondernemingen hier wel voldoende mee bezig?”***

***Eumedion Symposium, 18 oktober 2006, Rotterdam***

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## Morris Tabaksblat (cont'd)



***“Om de kenbaarheid en benaderbaarheid van aandeelhouders te vergroten, ben ik nog steeds voorstander van een verplichting voor banken om de NAW-gegevens van de aandeelhouders door te zenden aan de vennootschap, uitgezonderd de gegevens van die aandeelhouders die hier uitdrukkelijk op tegen zijn. Op deze manier wordt de anonimiteit van de aandeelhouder voor de vennootschap voor een groot deel opgeheven en wordt het inzichtelijker wie de aandeelhouders zijn. Dit was één van de aanbevelingen van onze commissie aan de wetgever. Helaas heb ik drie jaar na dato nog geen voorstel voor wetgeving op dit punt gezien.”***

***Eumedion Symposium, 18 oktober 2006, Rotterdam***

# Monitoring Dutch Corporate Governance



**Frijns** Commission monitored Dutch Corporate Governance Code identified the main outstanding issues. First three are:

- **Lack of insight with issuers in their shareholder base**
- **Regular communication with shareholders hampered**
- **Lack of dialogue with shareholders prior to the AGM**

Source: Report Monitoring Commission Dutch Corporate Governance Code, April 2006

**Loyalty Dividend program addresses these issues**

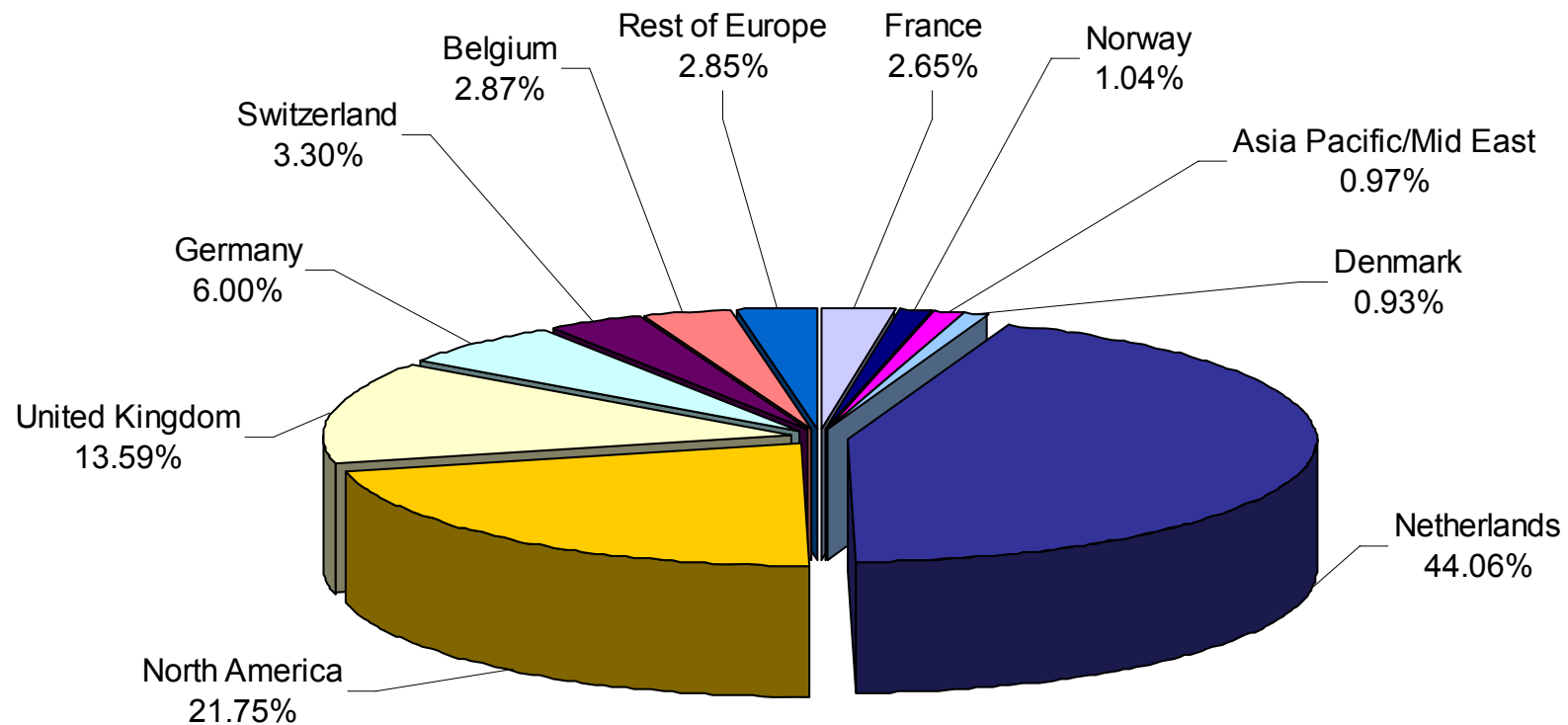
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# DSM's Diversified Shareholder Base



Over 400 institutional holders identified,  $\pm \Sigma 60\%$  total shareholder base



Shareholder tracking survey December 2006

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# Loyalty Dividend



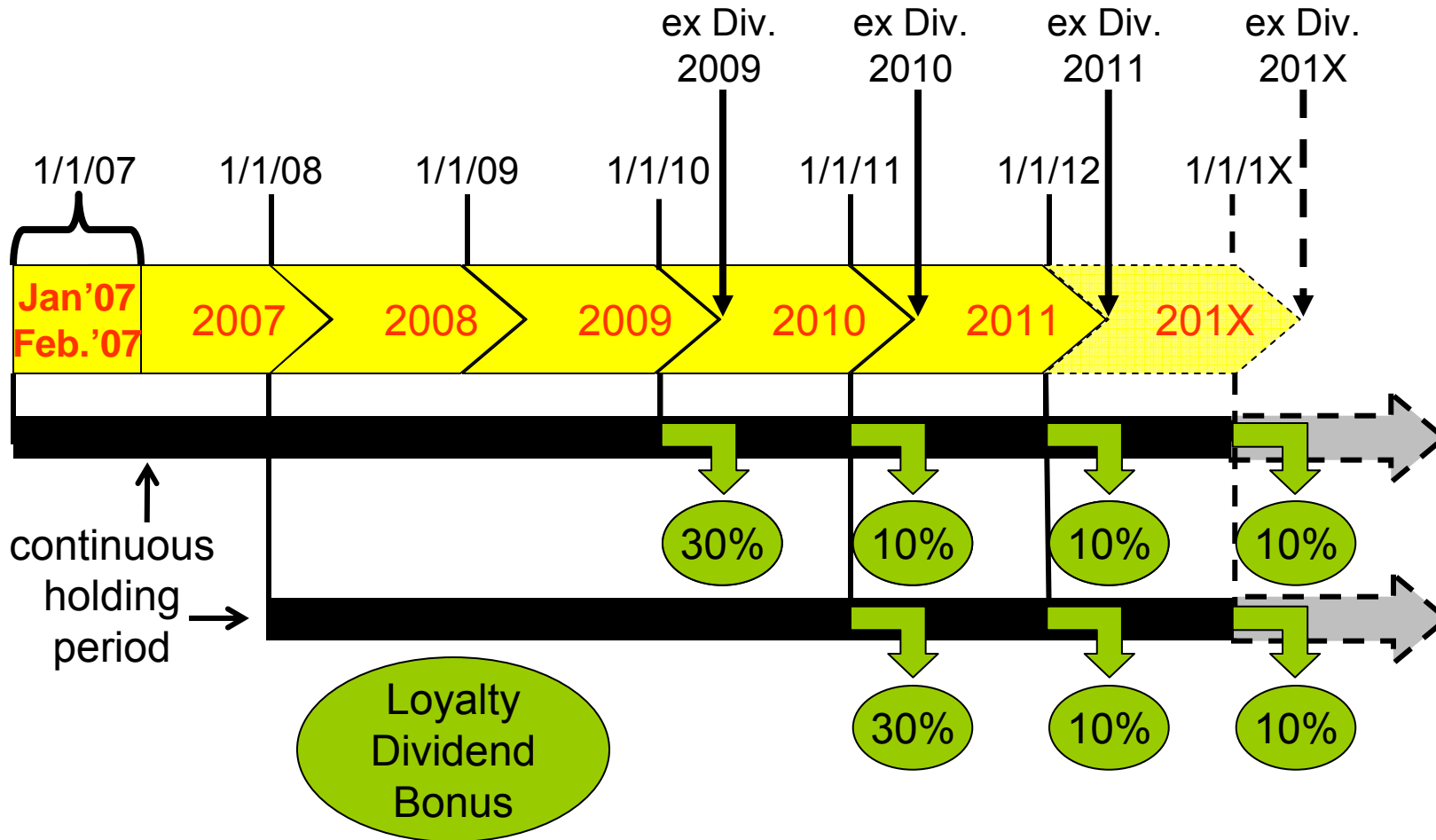
## ➤ Objectives

- Enable improved communication with LT shareholders
- Incentive for LT shareholding in line with LT focus DSM

## ➤ Proposal

- Voluntary registration of DSM shares
- No restrictions to trade, no 'lock-up'
- De-registration possible in a swift way
- Dividend bonus of 10%/year, after 3 years of registration
- First pay-out (30 %) with final dividend 2009

# Loyalty Dividend - Structure



# Loyalty Dividend – Essentials



## ➤ Loyalty Dividend is:

- An incentive for shareholders to register
- Extra option for LT shareholders, without prior commitments
- Open for all shareholders world-wide
- Fully in line with Dutch Corporate Governance Code and Dutch company law
- Straightforward uniform procedures for registration and de-registration
- Registration has no implications for voting rights

# Loyalty Dividend – What it is NOT



## ➤ Loyalty Dividend is:

- **Not** a defense mechanism – all shareholders remain free to buy or sell their DSM shares, to decide to register and/or to deregister any time, and to vote at the AGM the way they want
- **No** infringement on the principle of equal treatment of shareholders; difference in treatment & dividend is proportionate to difference in positioning by shareholders
- **Not** at the expense of the normal dividend to be paid to all shareholders – DSM remains committed to the current basic dividend pay-out ratio
- **No** impact on trade or liquidity of DSM shares  
**Not** affecting the position in indexation on Euronext  
**Not** leading to an additional share class

# Decision Process



- September 2006: publication initial ideas
- Fall 2006: intensive consultation of shareholders
- December 2006: invitation to pre-register in Jan/Feb 2007
- February 2007: final proposal put on Agenda AGM
- Pre-registration by 4,500 shareholders, with 31 million shares
- Clear indications more to come after positive AVA decision
- AGM on 28<sup>th</sup> of March to decide on actual implementation
  
- 19<sup>th</sup> March: request from Franklin Mutual for judicial inquiry, asking Court to prohibit AGM to vote on this proposal
- Court Hearing scheduled for 22<sup>d</sup> of March.

# A Win-Win for DSM and its Shareholders



## ➤ Advantages for DSM

- Enables a more direct communication with shareholders  
Strengthening the Investor Relations function
- Create a more level playing field for DSM compared to the situation in many countries abroad, where registration of shareholders and changes in their holdings are common practice.
- System costs limited via central register

## ➤ Advantages for the shareholder

- Option to additional dividend
- A more direct communication line with DSM
- No custody fee and other administrative costs (regarding e.g. dividend payments)

# Contact:



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# Safe Harbor Statement



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